

AMENDED IN ASSEMBLY MAY 11, 2011

AMENDED IN ASSEMBLY APRIL 28, 2011

AMENDED IN ASSEMBLY APRIL 25, 2011

AMENDED IN ASSEMBLY MARCH 29, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

## **ASSEMBLY BILL**

**No. 1150**

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**Introduced by Assembly Member V. Manuel Pérez**

February 18, 2011

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An act to amend Section 379.6 of the Public Utilities Code, relating to electricity.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1150, as amended, V. Manuel Pérez. Self-generation incentive program.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined. Existing law requires the PUC to administer, until January 1, 2016, a self-generation incentive program (SGIP) for distributed generation resources and to separately administer solar technologies pursuant to the California Solar Initiative. The PUC, in consultation with the State Energy Resources Conservation and Development Commission (Energy Commission), may authorize electrical corporations to annually collect not more than the amount authorized for the SGIP in the 2008 calendar year through December 31, 2011.

This bill would expand the authority of the PUC to authorize electrical corporations to continue making the annual collections through

December 31, ~~2016~~ 2014, as provided, and would require the PUC to continue to administer the program until January 1, 2018. *The bill would require the PUC to transition the program to performance-based incentives, so that incentive payments are earned based on the actual electrical output of the distributed energy resource. The bill would require the PUC to require, for an incentive payment received on the basis that the distributed energy project uses a renewable fuel, confirmation of the physical delivery of the renewable fuel to the project or to the California pipeline system, in an amount equivalent to the fuel requirements of the project for the life of the project. The bill would delete provisions requiring combustion-operated distributed generation projects using fossil fuel to meet specified emission requirements, and instead require eligible distributed energy projects to meet applicable State Air Resources Board certification standards and applicable air pollution control district or air quality management district permitting standards.* The bill would require the PUC to periodically evaluate the program to adjust the amount of rebates and other program design elements to achieve specified program goals and objectives.

Under existing law, a violation of the Public Utilities Act or any order, decision, rule, direction, demand, or requirement of the commission is a crime.

Because the program that is extended under the provisions of this bill are within the act and a decision or order of the commission implements the program requirements, a violation of these provisions would impose a state-mandated local program by expanding the definition of a crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 379.6 of the Public Utilities Code is
- 2 amended to read:
- 3 379.6. (a) (1) It is the intent of the Legislature that the
- 4 self-generation incentive program should increase deployment of
- 5 distributed generation and distributed storage systems to facilitate

1 integration of those resources into the electrical grid and reduce  
2 ratepayer costs.

3 (2) The commission, in consultation with the Energy  
4 Commission, may authorize the annual collection of not more than  
5 eighty-three million dollars (\$83,000,000) in each calendar year  
6 through December 31, ~~2016~~ 2014, which the commission may  
7 increase on an annual basis in an appropriate amount consistent  
8 with, but not limited to, the annual rate of inflation. The  
9 commission shall administer the self-generation incentive program  
10 until January 1, 2018. On January 1, 2018, the commission shall  
11 provide repayment of all unallocated funds collected pursuant to  
12 this section to reduce ratepayer costs.

13 (3) The commission shall administer solar technologies  
14 separately, pursuant to the California Solar Initiative adopted by  
15 the commission in Decisions 05-12-044 and 06-01-024, as modified  
16 by Article 1 (commencing with Section 2851) of Chapter 9 of Part  
17 2 of this code, and Chapter 8.8 (commencing with Section 25780)  
18 of Division 15 of the Public Resources Code.

19 (b) Eligibility for incentives under the program shall be limited  
20 to distributed energy resources that the commission, in consultation  
21 with the State Air Resources Board, determines will achieve  
22 reductions in emissions of greenhouse gases pursuant to the  
23 California Global Warming Solutions Act of 2006 (Division 25.5  
24 (commencing with Section 38500) of the Health and Safety Code).

25 ~~(c) Eligibility for the funding of any combustion-operated~~  
26 ~~distributed generation projects using fossil fuel is subject to all of~~  
27 ~~the following conditions:~~

28 ~~(1) An oxides of nitrogen (NO<sub>x</sub>) emissions rate standard of 0.07~~  
29 ~~pounds per megawatt-hour and a minimum efficiency of 60 percent,~~  
30 ~~or any other NO<sub>x</sub> emissions rate and minimum efficiency standard~~  
31 ~~adopted by the State Air Resources Board. A minimum efficiency~~  
32 ~~of 60 percent shall be measured as useful energy output divided~~  
33 ~~by fuel input. The efficiency determination shall be based on 100~~  
34 ~~percent load.~~

35 ~~(2) Combined heat and power units that meet the 60-percent~~  
36 ~~efficiency standard may take a credit to meet the applicable NO<sub>x</sub>~~  
37 ~~emissions standard of 0.07 pounds per megawatt-hour. Credit shall~~  
38 ~~be at the rate of one megawatt-hour for each 3.4 million British~~  
39 ~~thermal units (Btus) of heat recovered.~~

~~(3) The customer receiving incentives shall adequately maintain and service the combined heat and power units so that during operation, the system continues to meet or exceed the efficiency and emissions standards established pursuant to paragraphs (1) and (2).~~

*(c) (1) An eligible distributed energy project shall meet applicable State Air Resources Board certification standards and applicable air pollution control district or air quality management district permitting standards.*

*(2) An eligible distributed energy project subject to State Air Resources Board certification or district permitting shall be adequately maintained and serviced to ensure that during operation the resource continues to meet or exceed the certification or permitting requirement.*

~~(4)~~

(3) Notwithstanding paragraph (1), a project that does not meet the applicable NO<sub>x</sub> emissions standard is eligible if it meets both of the following requirements:

(A) The project operates solely on waste gas. The commission shall require a customer that applies for an incentive pursuant to this paragraph to provide an affidavit or other form of proof, that specifies that the project shall be operated solely on waste gas. Incentives awarded pursuant to this paragraph shall be subject to refund and shall be refunded by the recipient to the extent the project does not operate on waste gas. As used in this paragraph, “waste gas” means natural gas that is generated as a byproduct of petroleum production operations and is not eligible for delivery to the utility pipeline system.

(B) The air quality management district or air pollution control district, in issuing a permit to operate the project, determines that operation of the project will produce an onsite net air emissions benefit, compared to permitted onsite emissions if the project does not operate. The commission shall require the customer to secure the permit prior to receiving incentives.

(d) In determining the eligibility for the self-generation incentive program, minimum system efficiency shall be determined either by calculating electrical and process heat efficiency as set forth in Section 216.6, or by calculating overall electrical efficiency.

(e) In administering the self-generation incentive program, the commission shall periodically evaluate the program to adjust the

1 amount of rebates and other program design elements to achieve  
2 the following program goals and objectives:

3 (1) Cost-effective use of ratepayer funds to stimulate deployment  
4 of eligible technologies.

5 (2) Meeting environmental objectives, including reduction of  
6 emissions of greenhouse gases, *with confirmation of emission*  
7 *reductions, in consultation with the State Air Resources Board.*

8 (3) In-state job growth.

9 (4) Development of market signals to provide incentives for  
10 private investment in California.

11 (5) Market transformation of most, if not all, eligible  
12 technologies by driving down prices and increasing performance  
13 of these technologies.

14 (6) Energy efficiency, peakload reduction, and load  
15 management.

16 (7) Equitable distribution of rebates to all eligible technologies  
17 and program participants, *including promoting geographic*  
18 *distribution of rebates throughout the state.*

19 (8) Assessment of technology penetration into underserved areas  
20 of the state that are environmentally blighted and economically  
21 stressed.

22 (f) The commission shall ensure that distributed generation  
23 resources are made available in the program for all ratepayers.

24 (g) (1) In administering the self-generation incentive program,  
25 the commission shall provide an additional incentive of 20 percent  
26 from existing program funds for the installation of eligible  
27 distributed generation resources from a California supplier.

28 (2) “California supplier” as used in this subdivision means any  
29 sole proprietorship, partnership, joint venture, corporation, or other  
30 business entity that manufactures eligible distributed generation  
31 resources in California and that meets either of the following  
32 criteria:

33 (A) The owners or policymaking officers are domiciled in  
34 California and the permanent principal office, or place of business  
35 from which the supplier’s trade is directed or managed, is located  
36 in California.

37 (B) A business or corporation, including those owned by, or  
38 under common control of, a corporation, that meets all of the  
39 following criteria continuously during the five years prior to

1 providing eligible distributed generation resources to a  
2 self-generation incentive program recipient:

3 (i) Owns and operates a manufacturing facility located in  
4 California that builds or manufactures eligible distributed  
5 generation resources.

6 (ii) Is licensed by the state to conduct business within the state.

7 (iii) Employs California residents for work within the state.

8 (3) For purposes of qualifying as a California supplier, a  
9 distribution or sales management office or facility does not qualify  
10 as a manufacturing facility.

11 (h) The costs of the program adopted and implemented pursuant  
12 to this section shall not be recovered from customers participating  
13 in the California Alternate Rates for Energy (CARE) program.

14 (i) *For an incentive payment received on the basis that the*  
15 *distributed energy project uses a renewable fuel, the commission*  
16 *shall require confirmation of the physical delivery of the renewable*  
17 *fuel to the project or to the California pipeline system, in an*  
18 *amount equivalent to the fuel requirements of the project for the*  
19 *life of the project.*

20 (j) *On a schedule to be determined by the commission, the*  
21 *commission shall transition the program to performance-based*  
22 *incentives, so that incentive payments are earned based on the*  
23 *actual electrical output of the distributed energy resource,*  
24 *consistent with the requirements imposed on the California Solar*  
25 *Initiative as described in Section 2851.*

26 SEC. 2. No reimbursement is required by this act pursuant to  
27 Section 6 of Article XIII B of the California Constitution because  
28 the only costs that may be incurred by a local agency or school  
29 district will be incurred because this act creates a new crime or  
30 infraction, eliminates a crime or infraction, or changes the penalty  
31 for a crime or infraction, within the meaning of Section 17556 of  
32 the Government Code, or changes the definition of a crime within  
33 the meaning of Section 6 of Article XIII B of the California  
34 Constitution.